

Message Text

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ORIGIN OES-06

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C O N F I D E N T I A L STATE 176050

E.O. 11652: GDS

TAGS: TECH, ENRG, JA

SUBJECT: PROPOSED U.S.-JAPAN TALKS ON OPTIONAL WAYS TO
MEET FAR EASTERN NEEDS TO STORE OR REPROCESS IRRADIATED
FUEL ELEMENTS

1. DEPARTMENT WAS APPROACHED FOR USG INFORMAL REACTION BY
THE U.S. FIRM NUS CONCERNING ITS INTENTION TO CIRCULATE
DRAFT PROPOSAL FOR EXPLORATORY DISCUSSIONS AMONG JAPANESE
UTILITIES TO ELICIT THEIR INTEREST IN FUNDING A BROAD
GAUGE FEASIBILITY STUDY FOR A PACIFIC BASIN REGIONAL FUEL
CYCLE FACILITY WHICH WOULD INCLUDE REPROCESSING. STUDY
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WOULD HIGHLIGHT PROBLEMS IN ESTABLISHING A REGIONAL

FACILITY AND WOULD NOT INCLUDE ANY CHEMICAL PROCESSING TECHNOLOGY TRANSFER. SEISMOLOGY, GEOLOGY, LEGAL, ORGANIZATIONAL, POLITICAL AND OTHER ASPECTS OF ESTABLISHING SUCH A FACILITY ARE INCLUDED IN THE PROPOSED STUDY.

2. THIS BROAD GAUGE NUS PROPOSAL CONTRASTS WITH A MORE SPECIFIC BECHTEL PROPOSAL SOUGHT BY ERG TO STUDY ASPECTS OF A POSSIBLE 1,500 TON REPROCESSING PLANT IN JAPAN. BOTH EFFORTS WILL REQUIRE PART 810 ERDA AUTHORIZATION; HOWEVER, WHILE THE BECHTEL AUTHORIZATION IS IN FINAL STAGES OF REVIEW, THE NUS STUDY IS STILL IN EARLIEST STAGES OF

EXPLORATORY DEVELOPMENT. USG HAS NOT RECEIVED REQUEST FOR FORMAL 810 APPROVAL, WHICH COULD OCCUR IN SEPTEMBER FOR NUS STUDY. NEITHER PROPOSAL WAS STIMULATED OR SPONSORED BY USG.

3. NUS PROPOSAL BY ITS BREADTH COULD CONCEIVABLY COMPLICATE CLIMATE FOR PLANNED AUGUST GOVERNMENT-TO-GOVERNMENT TALKS, PARTICULARLY IF BROUGHT TO PUBLIC ATTENTION. WE HAVE NOT YET DECIDED WHAT TO ADVISE NUS WITH RESPECT TO TIMING OF ITS SUBMITTAL; FOR EXAMPLE, USG COULD ADVISE DELAY PROPOSAL AND COMMERCIAL DIALOGUE UNTIL AUTUMN. ALTERNATIVELY, USG MAY WISH TO EXPRESS NO PREFERENCE WITH REGARD TO TIMING OF COMMERCIAL DISCUSSIONS ON THIS SUBJECT AT THIS TIME.

4. IN HELPING TO DETERMINE USG REACTION TO NUS, EMBASSY IS REQUESTED TO CONTACT OTSUKA AND WITHOUT DISCLOSING U.S. COMPANY NAME, SOLICIT HIS PERSONAL AND INFORMAL REACTION, NOTING OUR JOINT AND PARAMOUNT INTEREST THAT AUGUST MEETINGS AT GOVERNMENT LEVELS PROCEED SMOOTHLY AND UNENCUMBERED BY PROSPECTIVE PRIVATE SECTOR ACTIVITIES OF A RELATED BUT SEPARATE NATURE. CONVERSELY, PARALLEL PRIVATE EXPLORATORY DISCUSSIONS IN COMMERCIAL SECTOR MAY NOT BE OF CONCERN TO GOJ.

5. SUGGESTED TALKING POINTS FOR YOUR DISCUSSION WITH OTSUKA FOLLOW:

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(A)--PRIVATE U.S. FIRM RECENTLY APPROACHED USG WITH INFORMAL REQUEST TO CIRCULATE BROAD GAUGE DRAFT PROPOSAL FOR EXPLORATORY DISCUSSION WITH JAPANESE UTILITIES ON SUBJECT OF FEASIBILITY STUDY FOR A PACIFIC BASIN REGIONAL FUEL CYCLE FACILITY. THE PROPOSAL IS TO BE CIRCULATED AMONG JAPANESE UTILITIES IN COMING WEEKS TO ELICIT THEIR INTEREST IN FUNDING THE STUDY. COMPANY HAS ASKED USG VIEW BUT PLANS TO PROCEED, UNLESS USG STRONGLY URGES TO CONTRARY. USG

HAS NO FORMAL AUTHORITY IN THIS MATTER AND CAN ONLY RECOMMEND ITS PREFERENCE WITH RESPECT TO TIMING. WE DO NOT ANTICIPATE PROPOSAL PROGRESSING TO POINT WHERE OFFICIAL USG APPROVAL IS REQUIRED BEFORE SEPTEMBER. AT THAT TIME, WE WOULD TAKE FULLY INTO ACCOUNT RELATION BETWEEN THE PROPOSED STUDY AND STATUS OF OUR GOVERNMENT LEVEL TALKS.

(B) USG INFORMALLY ADVISED U.S. COMPANY TO AWAIT OUR REACTION TO THEIR HOLDING PRIVATE EXPLORATORY DISCUSSIONS THIS SUMMER IN JAPAN. THE BROAD SCOPE OF THE PROPOSED PACIFIC BASIN REGIONAL STUDY COULD TOUCH ON MATTERS TO BE DISCUSSED AT GOVERNMENT-TO-GOVERNMENT LEVELS THIS SUMMER.

WHILE THE GOVERNMENT LEVEL DISCUSSIONS WOULD BE ENTIRELY SEPARATE FROM ANY COMMERCIAL OVERTURES TO JAPANESE UTILITIES, IT IS POSSIBLE THAT INACCURATE INFERENCES COULD BE DRAWN IN JAPAN TENDING TO LINK PRIVATE TO GOVERNMENT DIALOGUE, TO DETRIMENT OF GOVERNMENT LEVEL DISCUSSIONS.

(C)--ON PURELY PERSONAL AND INFORMAL BASIS, WE WOULD WELCOME YOUR REACTION AS TO WHETHER INFORMAL COMMERCIAL OVERTURES BY U.S. COMPANY AT THIS TIME IN JAPAN MIGHT BE PREJUDICIAL TO OUR PLANNED GOVERNMENT LEVEL TALKS IN AUGUST.

6. ON AN 'IF ASKED' BASIS, YOU CAN CONFIRM TO OTSUKA THAT THIS BROAD GAUGE STUDY IS SEPARATE FROM THE BECHTEL STUDY, OF WHICH HE IS ALREADY AWARE. IF OTSUKA ASKS ABOUT STATUS OF U.S. AUTHORIZATION TO BECHTEL TO PROCEED, YOU MAY INDICATE THAT USG REVIEW IS NEARING COMPLETION, AND WE WILL INFORM HIM AS SOON AS DECISION IS MADE.

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7. WE HAVE BEEN ASKED BY NUS TO LET THEM KNOW OUR REACTION 16 JULY. PLEASE RESPOND ASAP. KISSINGER

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NNN

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